

Message Text

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ACTION EUR-12

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FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01

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SUBJECT: INITIAL REACTION TO JUNE 23 BUDGET PROPOSALS

REF: OTTAWA 2355

1. SUMMARY. REACTION FROM VARIOUS CANADIAN SOURCES TO FINMIN TURNER'S JUNE 23 BUDGET WAS MIXED BUT TENDED TO BE CRITICAL OF BUDGET ASPECTS DEALING WITH EFFORTS CONTROL INFLATION. MOST LOCAL NEWSPAPER EDITORIALS CONTENDED TURNER HAD NOT MADE SUFFICIENT EFFORT TO ARREST INFLATIONARY TRENDS AND GENERALLY CONCLUDED BUDGET FAILED MEET PUBLIC EXPECTATIONS. END SUMMARY.

2. INITIAL NEWSPAPER HEADLINES STRESSED ABRUPT RISE IN GASOLINE PRICES AND REACTIONS TO INCREASES. PREDICTABLY, ALBERTA OFFICIAL PRAISED BUDGET PROPOSALS AND OPPOSITION LEADERS AND OFFICIALS FROM OIL-CONSUMING PROVINCES CONDEMNED IT.

3. AS QUOTED IN PRESS, OPPOSITION PC LEADER STANFIELD CALLED BUDGET "CYNICAL" AND TOLD REPORTERS, "THE GOVERNMENT IS EVEN
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INCREASING ITS OWN EXPENDITURES IN A YEAR WHEN IT SAYS
THEREWILL BE NO GROWTH." NDP PARLIAMENTARY LEADER ED

BROADBENT REPORTEDLY CRITICIZED THE GAS AND OIL PRICE INCREASES AND SAID THAT "TURNER OFFERED THE PEOPLE OF THE COUNTRY PEANUTS. IT IS A CRUEL BUDGET THAT DEALS WITH NEITHER INFLATION NOR UNEMPLOYMENT."

4. REPORTS OF REACTIONS FROM THE PROVINCES IN THE OTTAWA CITIZEN AND OTHER NEWSPAPERS RANGED FROM PRAISE BY ALBERTA PREMIER LOUGHEED TO DENUNCIATION BY B.C. PREMIER DAVID BARRETT. LOUGHEED REPORTEDLY APPLAUDED THE BUDGET BECAUSE OF OIL AND NATURAL GAS PRICE HIKES WHEREAS BARRETT WAS QUOTED AS SAYING THAT THE BUDGET WAS "RETROGRESSIVE, INFLATIONARY AND JUST PLAIN STUPID." SASKATCHEWAN PREMIER ALLAN BLAKENEY WAS QUOTED AS CRITICIZING THE BUDGET FOR INCREASING "TENSIONS BETWEEN THE FEDERAL GOVERNMENT AND THE PROVINCES." ONTARIO PREMIER DAVIS TERMED INCREASE IN GAS PRICES "BLATANT TAX GRAB" AND SAID BUDGET IS "BOTH CONTRADICTORY AND IT FUELS INFLATION." NOVA SCOTIA FINANCE MINISTER REPORTEDLY CLAIMED HIS PROVINCE WOULD BE HARDEST HIT BY GAS PRICE INCREASES.

5. IN ITS LEAD EDITORIAL ON JUNE 24, THE OTTAWA JOURNAL MAINTAINED THAT TURNER HAD AN IMPOSSIBLE TASK AND CONCLUDED THAT "IT IS A SAD MEASURE OF IMPOSSIBLE TIMES THAT THE BUDGET COULDN'T DO MORE TO DISCOURAGE INFLATION ITSELF." THE EDITORIAL GAVE GRUDGING APPROVAL TO TURNER'S RESTRAINT EFFORTS ON FEDERAL SPENDING ("THE LITTLE \$1 BILLION EXERCISE SHOULD BE AN EXAMPLE OF THINGS TO COME."), AND IT ENDORSED THE GOC "CONTINUED COMMITMENT TO MOVING TO THE WORLD PRICE OF OIL."

6. THE MONTREAL GAZETTE OF JUNE 25 CALLED TURNER'S PRESENTATION A "BACKWARD BUDGET", WHICH "PROPOSES A VICTORIAN LIBERAL VIEW OF SOCIETY, THE KIND OF POLITICAL PROGRAM THAT HAS REDUCED THE LIBERAL PARTIES OF BRITAIN AND CONTINENTAL EUROPE TO INEFFECTIVE RUMPS." ITS EDITORIAL CRITICIZED TURNER FOR HIS VIEW OF CANADA AS A "MARKET ECONOMY" AND CLAIMED THAT THE "GOVERNMENT IS OFFERING NO LEADERSHIP" IN EXERCISING RESPONSIBILITY
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AND INFLUENCE N THE NATIONAL ECONOMY."

7. THE TORONTO GLOBE AND MAIL OF JUNE 25 CRITICIZED TURNER FOR "SHIFTING THE LOAD" OF COSTLY WELFARE PROGRAMS, ENACTED BY THE GOC "IN THE FACE OF SEVERE CRITICISIM FROM THE PROVINCES AND THE PRIVATE SECTOR," TO THOSE SECTORS. ITS IDITORIAL CLAIMED TURNER'S BUDGET PROPOSALS ON RESTRICTING FEDERAL MEDICAL AND UNEMPLOYMENT BENEFITS WILL PLACE GREATER BURDENS ON PROVINCES AND ON "WORKING AGED AND POOR." GLOBE AND

MAIL CONCLUDED "OTTAWA'S METHOD OF CUTTING COSTS IS TO MAKE SOMEBODY ELSE PAY THEM."

8. "TURNER'S BUDGET DUCKS THE FIGHT" WAS TITLE OF TORONTO STAR LEAD EDITORIAL OF JUNE 24. EDITORIAL LIKENED TURNER TO "KNIGHT ON A WHITE CHARGER" WHO PROMISED TO DO "BATTLE AGAINST TWIN DRAGONS OF INFLATION AND RECESSION" BUT "TURNED TAIL AGAINST THE ECONOMIC EVILS BESETTING THE LAND." STAR CONCLUDED "IT WOULD HAVE BEEN BETTER TO FOREGO THE EXERCISE."

9. SHARPEST AND MOST BITTER CRITICISM OF BUDGET CAME FROM INDIVIDUAL NEWSPAPER COLUMNISTS. HUGH WINDSOR, WRITING IN GLOBE AND MAIL, LIKENED TURNER PERFORMANCE TO ALICE-IN-WONDERLAND EXERCISE WHERE HE "CUT HIS BUDGET WHILE ACTUALLY INCREASING IT" AND "RESTRAINED THE CIVIL SERVICE WHILE ADDING 11,000 NEW POSITIONS." ACCORDING TO WINDSOR, TURNER TOOK AWAY C\$1 BILLION BUT ADDED C\$1.2 BILLION, AND THUS "THE NEW FORECAST IS C\$200 MILLION HIGHER THAN THE FORECAST BEFORE THE RESTRAINT EXERCISE."

10. JOHN NEYER IN THE OTTAWA JOURNAL OF JUNE 24 PRAISED TURNER FOR SHOWING SOME FISCAL RESTRAINT BUT CLAIMED "HE HAS NOT GONE AS FAR AS HE MUST IF THE GOVERNMENT'S TAKE FROM THE ECONOMY IS TO BE REDUCED TO A LEVEL THAT THE ECONOMY CAN SUPPORT WITHOUT STRAIN."

11. "COME OFF IT, JOHN BOY," WROTE GEOFFERY STEVENS IN THE GLOBE AND MAIL OF JUNE 24. STEVENS MAINTAINED THAT "FOR ALL HIS TIGHT TALK, MR. TURNER IS NOT REALLY UNCLASSIFIED UNCLASSIFIED

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PROPOSING RESTRAINT" AND THAT TURNER'S FIFTH BUDGET IN 3 1/2 YEARS IS MERELY ANOTHER "WAIT-AND-SEE EFFORT." STEVENS ASKED RHETORICALLY, "WHATEVER HAPPENED TO THE NOTION THAT GOVERNMENTS GIVE LEADERSHIP?"

12. CHRISTOPHER YOUNG, EDITOR OF THE OTTAWA CITIZEN, TERMED THE BUDGET "A SEQUEL TO FAILURE". YOUNG'S CONTENTION WAS THAT TURNER, UNABLE TO OBTAIN VOLUNTARY CONSENSUS ON RESTRAINT, WAS DRIVEN TO BRING DOWN BUDGET CURTAILING FEDERAL BUREAUCRACY AND ENERGY CONSUMPTION. YOUNG SAID, "TURNER'S FIFTH BUDGET SUSTAINS HIS REPUTATION FOR CAUTION AND WHAT IS CALLED CONSERVATIVE OR FISCAL RESPONSIBILITY."

13. IN MONTREAL GAZETTE, GEORGE RADWANSKI CONCLUDED THAT "THE ONLY GOOD THING THE BUDGET DOES IS NOTHING" AND WONDERED "WHY THE FINANCE MINISTER FELT COMPELLED TO PRODUCE IT AT ALL." A RARE EXCEPTION TO THE VARIOUS

CRITICS, MICHAEL BARKWAY OF THE FINANCIAL TIMES NEWS SERVICE CLAIMED THAT BUDGET WAS DESIGNED TO PRODUCE RESULTS IN FUTURE YEARS AND BUDGET'S "DIRECTIONS ARE IMPECCABLE, AND THAT IS BETTER THAN ANY FACILE ATTEMPT AT INSTANT REMEDIES."

14. NEWSPAPERS QUOTED PRESIDENT OF CANADIAN MANUFACTURERS' ASSOC. AS PRAISING BUDGET FOR FIVE-PERCENT INVESTMENT TAX CREDIT AND CANADIAN LABOR CONGRESS SECRETARY-TREASURER AS CRITICIZING TURNER FOR FAILURE "TO COME TO GRIPS WITH EITHER INFLATION OR RISING UNEMPLOYMENT." ORGANIZED LABOR SPOKESMEN ALSO CITED INCREASES IN GAS AND HEATING FUEL PRICES AS SPUR TO HIGHER WAGE DEMANDS.

15. COMMENT: BUDGET WAS FINE-TUNING EXERCISE WITH FEW SURPRISES AND SOMETHING FOR EVERYBODY. TURNER PROMISED RESTRAINT IN FEDERAL SPENDING, BUT ACTUALLY INCREASED EXPENDITURES. HE ADDED SLIGHT RISE IN TAXES FOR UPPER-INCOME BRACKETS AND LOWERED SOME TARIFFS. HE PROMISED TO CURTAIL CIVIL SERVICE WHILE KEEPING WAGES AT PARITY WITH PRIVATE INDUSTRY. PROPOSING REDUCED FEDERAL MEDICAL AND UNEMPLOYMENT INSURANCE
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BENEFITS, TURNER ALSO MADE MORE MONEY AVAILABLE FOR JOBS AND HOUSING. IN ALL, BUDGET GAVE A LITTLE HERE, TOOK A LITTLE THERE.

16. POLITICAL PARTY REACTIONS RATHER CURIOUSLY BUT NOT SURPRISINGLY REFLECTED PROVINCIAL INTERESTS MORE THAN PARTY DISCIPLINE. THUS, ALBERTA'S CONSERVATIVE PREMIER LOUGHEED PRAISED THE BUDGET, ONTARIO CONSERVATIVE DAVIS CASTIGATED IT, FEDERAL PARLIAMENTARY CONSERVATIVE LEADER STANFIELD MADE PROPER CONDEMNATORY NOISES, BUT CONSERVATIVE NEWSPAPER OTTAWA JOURNAL GAVE IT GRUDGING PRAISE. ONLY NDP SEEMED CONSISTENT THROUGHOUT COUNTRY IN ITS CONDEMNATION, BUT THEN NDP WOULD HAVE BEEN HARD PUT TO ACCEPT JUST ABOUT ANY TURNER BUDGET AT THIS TIME.

17. PERHAPS CANADIAN PRESS AND FINANCIAL ANALYSTS EXPECTED MIRACLE MEASURES OR SOME DRASTIC COUNTER-INFLATIONARY EFFORTS, AND THEY WERE DISAPPOINTED WHEN TURNER PRESENTED NO SENSATIONAL CURE-ALLS FOR COUNTRY'S ECONOMIC PROBLEMS. GENERAL THEMES OF MEDIA REACTION WERE DISAPPOINTMENT, DEJA VU AND WAIT-AND-SEE. WERE IT NOT FOR INCREASES IN GASOLINE AND NATURAL GAS PRICES, BUDGET MIGHT NOT HAVE MADE FRONT-PAGE HEADLINES.
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